



Manchester Airports Group

Investor Presentation

February 2014

magworld.co.uk



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Introduction



Charlie Cornish – Group Chief Executive

Appointed Group Chief Executive in October 2010. Prior to joining MAG, Charlie was Managing Director of Utility Solutions, the commercial business of United Utilities (UU) with operations in the UK, Middle East, Australia, Bulgaria, Poland, Estonia and Philippines and was a Director of UU plc. Previously he worked for a number of manufacturing and service companies including Plessey Telecommunications, British Aerospace and ABF



Ken O'Toole FCA – Chief Commercial Officer

Ken was appointed as Chief Commercial Officer in January 2012. Prior to that he spent six years with Ryanair Holdings plc, joining initially as Head of Revenue Management and latterly as Director of New Route Development. A qualified Chartered Accountant, his previous experience includes Musgrave Group, a leading Irish and UK based retailer, and Credit Suisse First Boston



Neil Thompson ACA, CTA – Chief Financial Officer

Joined MAG in 2005, being Commercial FD and then Corporate FD, prior to taking on the role of Chief Financial Officer in March 2011. Neil previously held senior finance roles at The MAN Group and ALSTOM, with responsibility across businesses in the UK, Europe, North America, Canada, India, Singapore and Australia. Prior to the power generation sector, Neil spent seven years in financial practice, specialising in Corporate Finance and M&A transactions, latterly with PricewaterhouseCoopers

CREDIT HIGHLIGHTS

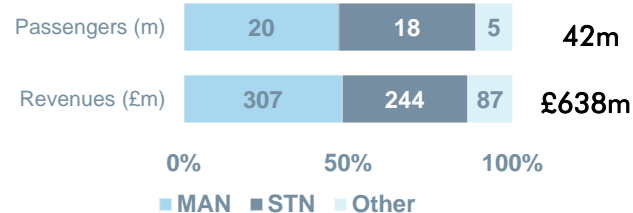
Credit Highlights

| | |
|--------------------------------------|--|
| A Truly National Airport Group | <ul style="list-style-type: none"> c.50m people live within 2 hours' drive of a MAG airport – almost 70% of the UK population Closest counties have high average income per capita. Catchment areas served well by road and rail National footprint provides more commercial opportunities for airline and retail customers. Group's scale affords significant operational efficiencies |
| Long-term, Supportive Shareholders | <ul style="list-style-type: none"> MCC and District Councils are permanent, long-term shareholders; IFM has 25+ years investment horizon Conservative opening leverage and ongoing commitment to prudent financial policy to support strong investment grade ratings |
| Diversified Mix Of Revenues | <ul style="list-style-type: none"> Equal proportion of aeronautical and non-aeronautical revenues Strong growth in retail yields in recent years at MAN following terminal investment, whilst commercialisation of car parking has also generated strong car park yield growth |
| Diversified Mix Of Routes | <ul style="list-style-type: none"> 275 routes served – more than any other UK airport group 20 new routes added April to September 2013 – including Moscow, Cairo, Gdansk, Krakow, Antigua, St Lucia |
| Diversified Mix Of Airlines | <ul style="list-style-type: none"> Over 80 airline customers across low-cost, full service and charter Long term contracts signed with 90% of customers de-risks growth |
| Well-invested With Predictable Costs | <ul style="list-style-type: none"> MAN and STN well invested with spare capacity Modest investment programme with potential to defer pending operational performance and economic outlook Capex at STN focused on retail re-development and new airside layout |
| Experienced Management Team | <ul style="list-style-type: none"> New management team has grown Legacy MAG revenue by 7.0% and EBITDA by 9.3% CAGR since 2011 Intent to replicate MAN success at STN through terminal redevelopment, growing retail and car parking yields |

Truly National: The UK's Second Largest Airports Group

MAG is the UK's second largest airport group serving 42 million passengers per annum

MAG Key Proforma Metrics



East Midlands Airport - EMA.

- UK's largest freight airport after Heathrow – 296,000 tonnes p.a.
- Located next to key road interchanges – four hours from virtually all UK commerce

Bournemouth Airport - BOH

- Significant investment in **new terminal** increasing passenger capacity to 3.0m p.a.
- Wealthy catchment area**
- Large land holding – **on-site business park**

Manchester Airport - MAN

- UK's 3rd largest airport
- 70+ airlines & 200+ destinations
- 2 runways with potential **64% spare capacity**
- 21m people within a 2 hour drive

London Stansted Airport - STN

- UK's 4th largest airport
- 150+ destinations
- 1 runway with **50% spare capacity**
- 25m people within two hours' drive
- Acquired February 2013

Catchment area within 2 hours' drive of:



MAN



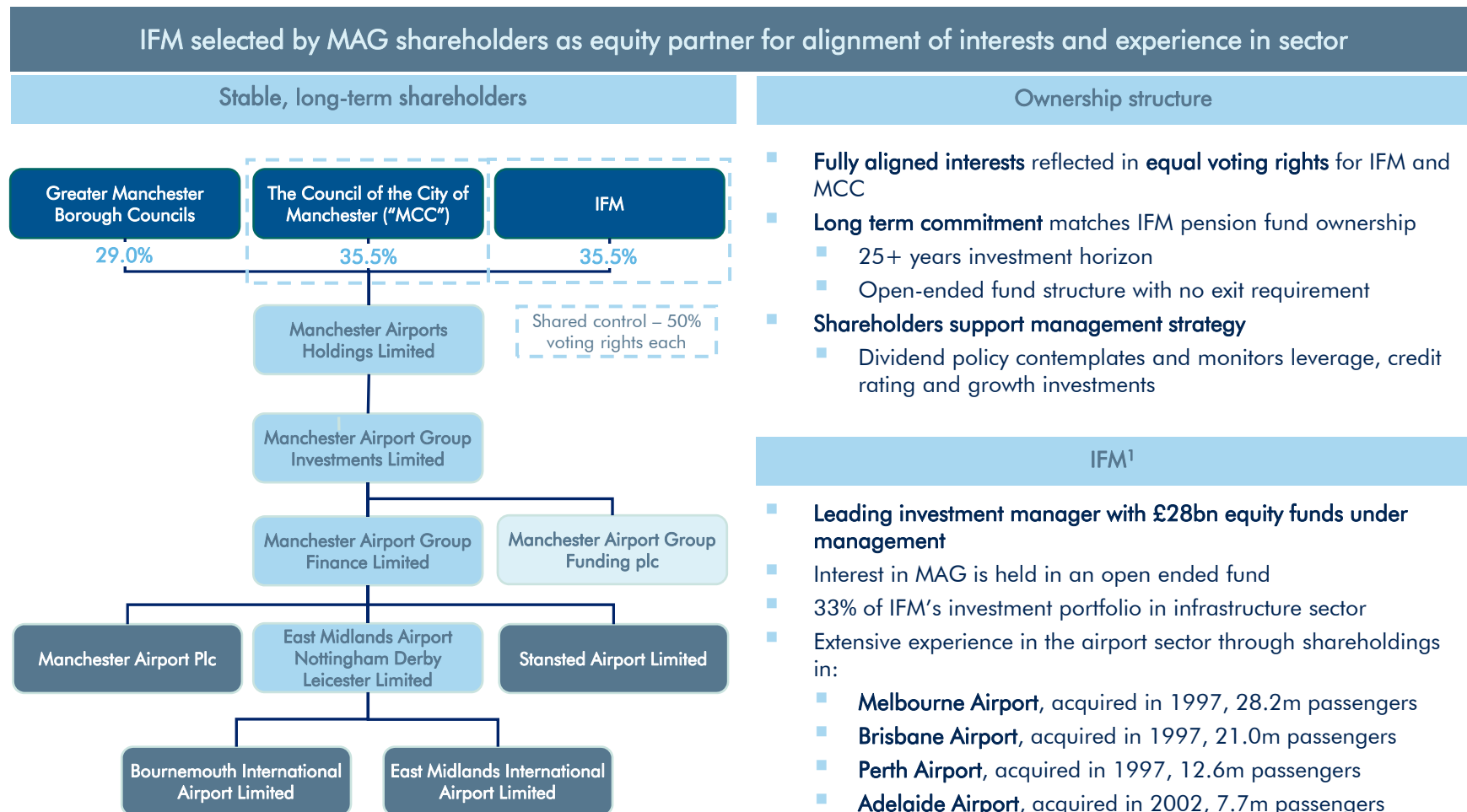
STN

MAG Property

- MAG has a property portfolio of > £550m
- c.500 properties and 1,000 tenants

Source: MAG Annual report, MAG Pro Forma Consolidated Financial Statements, Prospectus

Long-Term, Supportive Shareholders



Notes/Sources: (1) Company Website. Passenger numbers for FY 2012

Overview of Manchester Airport

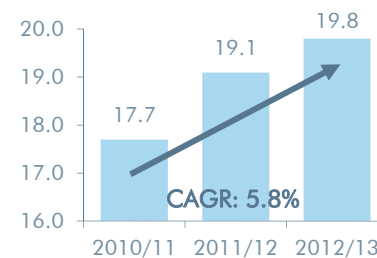
MAN serves the North of England – a region with a diverse passenger base

Introduction to MAN

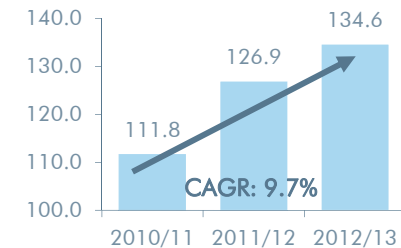
- Third largest airport in the UK with 19.8m passengers p.a.
- Diversified customer offer with 70 airlines serving over 200 destinations
- Three terminals with combined capacity of 28 million passengers, which can be increased to 42 million passengers with relatively modest investment
- Potential to grow its annual terminal capacity to 55 million passengers without any further runway-related capex

2011 Strategy delivering strong EBITDA growth

Passengers (m)



EBITDA (£m)



1 of only 2 Airports in UK with 2 runways



Diversified airline offer



The Acquisition of STN has Diversified the MAG Group

Strategic acquisition to complement MAG's existing portfolio

Overview of STN

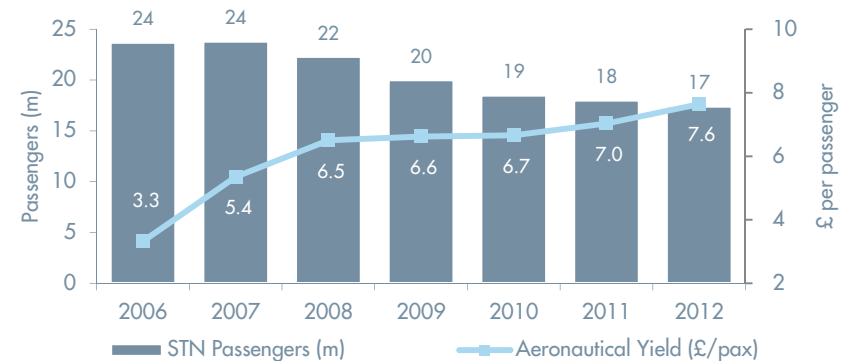
- UK's fourth largest airport with 17.8m passengers in 2013
- Strengthens MAG's business profile – creates 2nd largest airport group in UK
- Extensive network with over 150 destinations
- STN complements MAG's existing catchment area
- Only London airport with significant capacity
- Opportunity for MAG to leverage existing relationships with airlines and retail customers

Well invested site – minimal maintenance capex

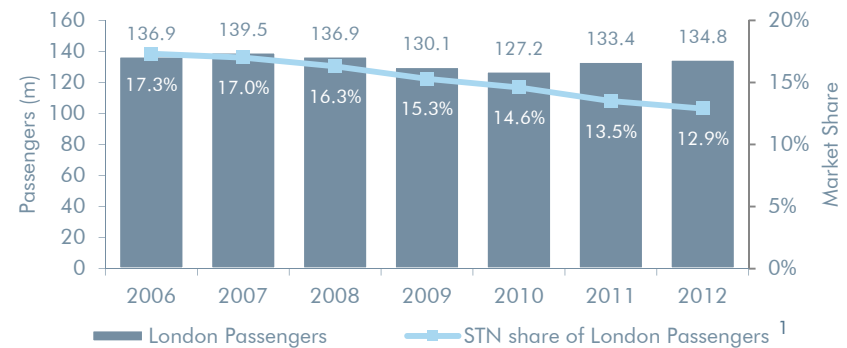


Source: CAA; Notes: (1) LHR + LTN + LCY + LGW + STN + SEN

Aviation charges doubled reducing passenger numbers...



... while the London market¹ has remained resilient



Strategy for Growth

Building on award winning success



Best UK Airport - October 2012

Manchester Airport

Voted for by airlines



Best UK Airport - January 2012

Manchester Airport

Voted for by a panel of travel industry leaders



Award of Excellence - 2011 & 2013

London Stansted

Voted for by travel industry professionals



World's Best Airport for Low Cost Airlines for three years in succession - 2011, 2012 & 2013

London Stansted



UK Airport of the Year Best Regional UK Airport -2011

East Midlands

Deepen relationships with carriers

Pricing strategy to encourage growth

Build on understanding of airline market

Target major alliances

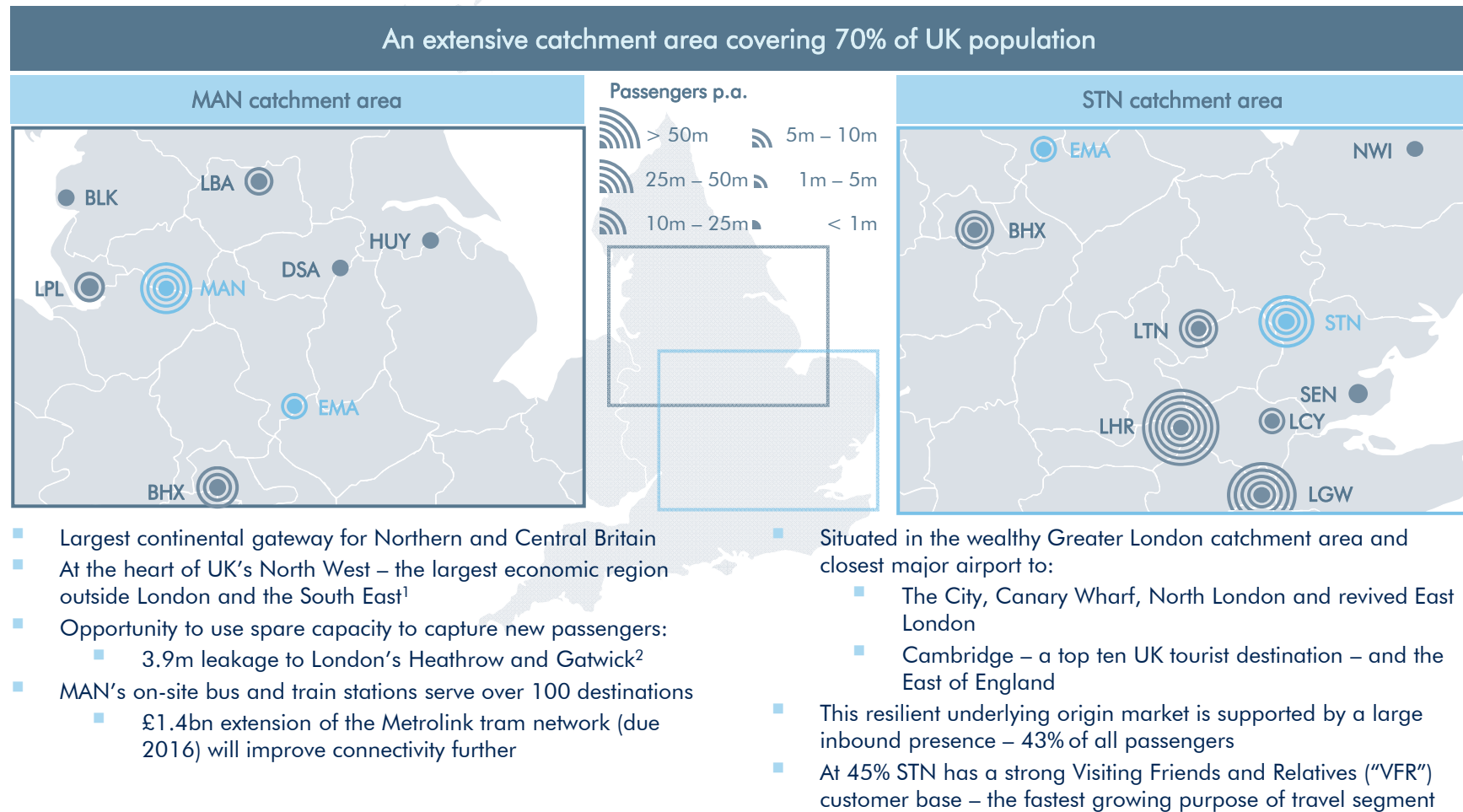
Alter market perception

Passenger focussed marketing

Increasing cargo business

ASSET OVERVIEW

Our Two Main Airports Serve 89% of MAG's passengers



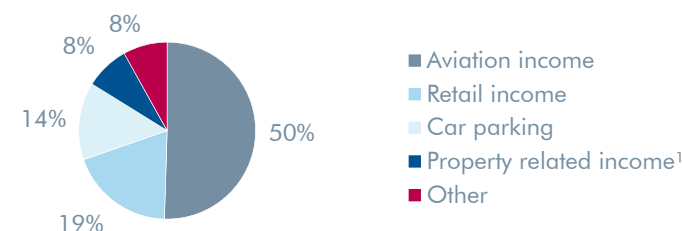
Notes: BHX – Birmingham, BLK – Blackpool, DSA – Doncaster Sheffield, HUY – Humberside, LBA – Leeds Bradford, LCY – London City, LHR – London Heathrow, LGW – London Gatwick, LPL – Liverpool, LTN – London Luton, NWI – Norwich, SEN – Southend; Source: (1) Office for National Statistics; (2) CAA

Diversified Mix of Revenues

Well balanced revenue base with diversified and resilient commercial activities

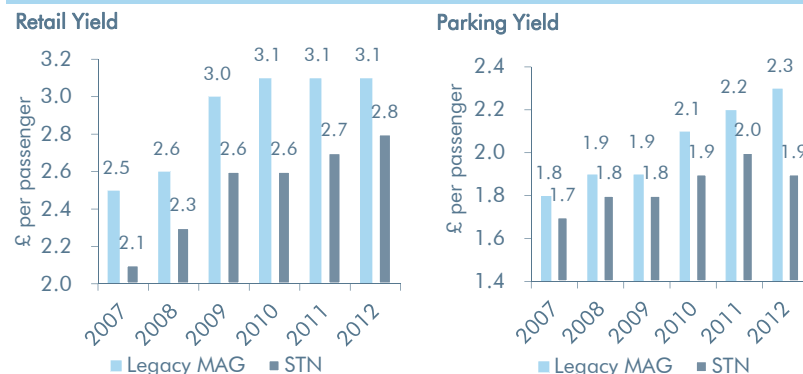
- Equal proportion of aeronautical and non-aeronautical revenues
- **c.80% of passengers covered by long-term committed contracts**
- Non-aeronautical revenues comprise retail, car-parking and other
 - MAG aims to increase STN yields to MAN levels
- STN retail offering to be rejuvenated by terminal redevelopment
- Successful MAN car park products being introduced at STN

Revenues by type – MAG and STN combined



Source: Pro forma consolidated financial statements for year ending 31st March 2013
 Notes: (1) Property related income includes MAG Property and property related income;

Significant opportunity to improve non-aero yields¹



Notes/Sources: (1) Legacy MAG / STN annual accounts. Legacy MAG shown as year to March, STN as year to December so e.g. 2012 shows Legacy MAG year to March 2013 and STN year to Dec 2012

Successful MAN non-aero strategy being implemented at STN

- Reconfiguration of physical space to create walk-through duty free area and improve passenger flow under way
- Increased airside yield capacity and offering
- Removal of the one bag rule
- Consolidated supplier terms across MAG and improve these based on new scale
- MAN car parking strategy being implemented through introduction of new products and expansion of distribution channels

STN Terminal Redevelopment Plan

STN terminal redevelopment will transform the passenger experience

Existing terminal configuration

- Challenges of current configuration:
 - cold retail spots
 - less than 100% footfall
 - sub-optimal dwell times post security
 - poor passenger flows and average customer experience
- Terminal reconfiguration ahead of schedule, completion date for late 2015 (c.6 months ahead of acquisition business plan)



Proposed terminal configuration

- The principal benefits of the development are that it will:
 - double retail airside space from 63,500sq. ft. to approximately 114,000 sq. ft. by 2016
 - improve passenger flows to ensure that 100% of passengers pass all stores
 - introduce a walk-through duty free store of 25,000 sq. ft. and increase catering space by 26%
 - seven new International Departure Lounge stores
- £40m investment with up to further £40m to be committed by retailers



Diversified Mix of Routes

MAG serves 275 routes worldwide – more than any other UK airport group

- MAG's revenues are resilient to airline network and route changes
- Limited exposure to any single route or destination
- Almost 20 new routes added in April – September 2013
 - Include: Moscow, Cairo, Stavanger, Gdansk, Krakow, Antigua, St Lucia, Charlotte, Athens and Agadir
 - Close to 30 additional services on existing routes

Top 10 destinations¹

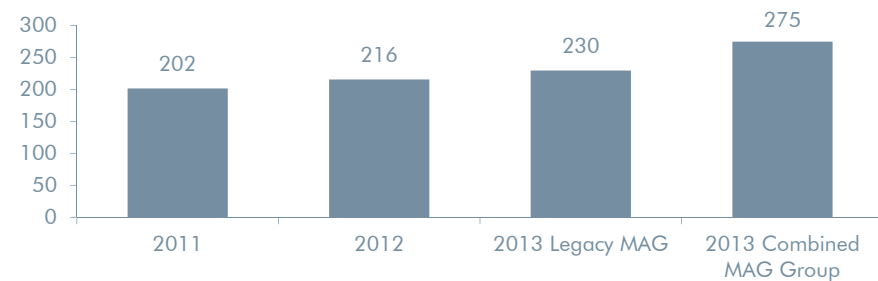
| Rank | Destination | Passengers (millions) | % of total passengers |
|------|-------------------|-----------------------|-----------------------|
| 1 | Dublin | 1.51 | 3.5% |
| 2 | Palma de Mallorca | 1.38 | 3.2% |
| 3 | Alicante | 1.27 | 2.9% |
| 4 | Malaga | 1.17 | 2.7% |
| 5 | Tenerife | 1.13 | 2.6% |
| 6 | Amsterdam | 1.00 | 2.3% |
| 7 | Faro | 0.86 | 2.0% |
| 8 | Heathrow | 0.78 | 1.8% |
| 9 | Dubai | 0.76 | 1.8% |
| 10 | Dalaman | 0.65 | 1.5% |

Notes: (1) 31st December 2012; Source: CAA, MAG

MAG worldwide footprint 2013



Routes served



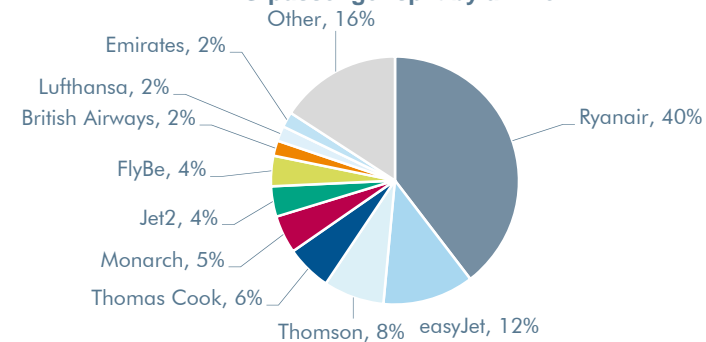
Diversified Mix of Airlines

80+ airlines with relative importance of largest carrier in line with peers

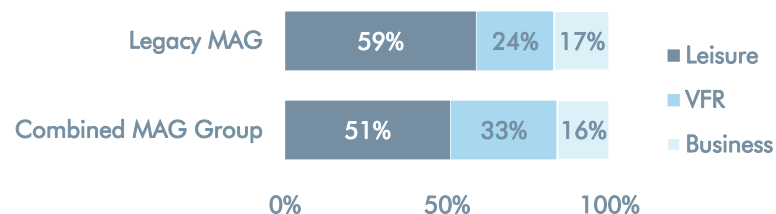
- Strategy focused on securing growth from the robust and fast-growing low cost carrier market
- Pursuing further opportunities in unserved markets by:
 - Developing new relationships with airline customers
 - Exploring growth proposals with existing carriers
- Long-term commercial agreements have been signed with Ryanair and easyJet to grow STN passenger numbers over next 10 years
 - Ryanair (73% STN passengers): 13m in 2013 to 21m by 2023
 - easyJet (18% STN passengers): 2.8m in 2013 to 6m by 2018
 - Existing long term contracts with customers such as Thomas Cook, Thomson, Monarch and Jet2

A diversified mix of airlines

MAG passenger split by airline¹



Improved purpose of travel mix²



Importance of largest carrier is in line with peers

Share of passengers by largest carrier²



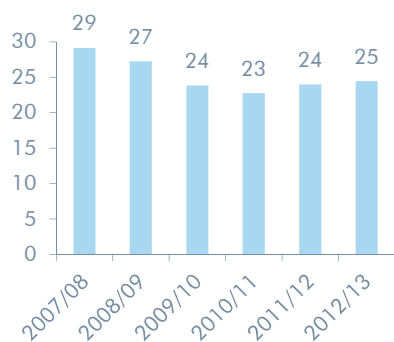
Sources: (1) Pro forma Legacy MAG/STN, based on 42m passengers (2) CAA

FINANCIAL HIGHLIGHTS

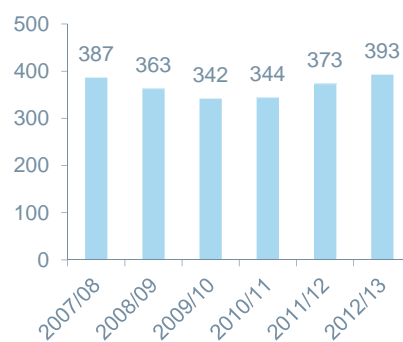
Financial Highlights – Legacy MAG

2011 Strategy has driven strong Legacy MAG performance

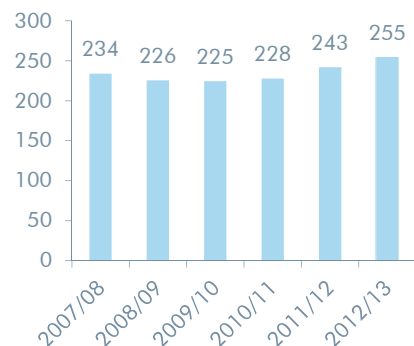
Passengers



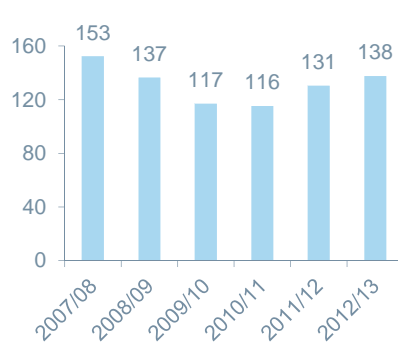
Revenue



Operating Costs



EBITDA¹



- Historic fall in passengers during recession increased by other one-off factors: Historical exposure to Charter; lack of engagement with Low Cost Carriers; and completion of West Coast Mainline modernisation (December 2008)
- Implementation of 2011 strategic plan has reversed previous trend
- Revenue growth at a CAGR of 7.0% in the two years to FY13 at Legacy MAG due to:
 - Growth in aero yield from £7.0 to £7.6
 - Growth in car parking yield from £2.1 to £2.3 through commercialisation
- Operating cost control at Legacy MAG has ensured revenue growth has outpaced increases in costs. Reported statutory operating costs include carrier rebates and related marketing costs
- Legacy MAG EBITDA 9.3% CAGR two years to FY13

Note: Legacy MAG figures shown as year to March (1) excludes depreciation and exceptional items
Source: Annual Report, CAA

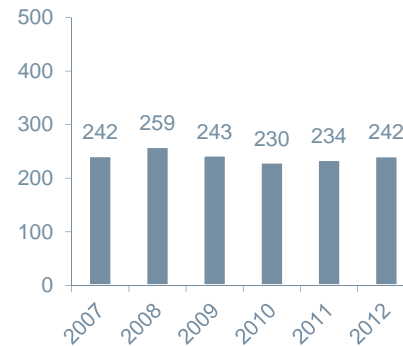
Financial Highlights – STN Airport

Historic performance at STN reflects previous strategies, transformation under MAG now well underway

Passengers

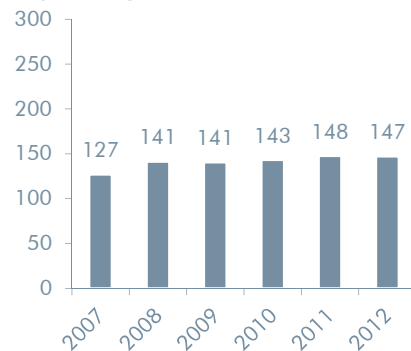


Revenue

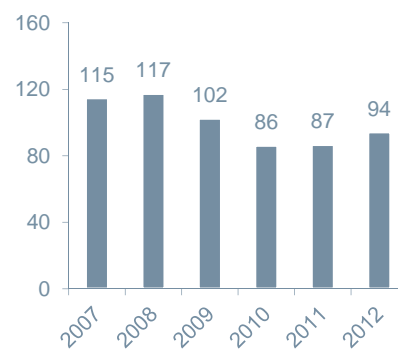


- Historical underperformance of STN due to doubling of aviation charges and strategy of previous owners
- Revenues and EBITDA falling until recently. Costs slowly growing despite significant fall in passengers
- 2013 STN passenger numbers grew 2% year-on-year, reversing five years of decline

Operating Costs¹



EBITDA¹



STN transformation under MAG ownership now well underway

- Long term contracts signed with key customers
- Terminal transformation started and new security lanes already opened
- Car parking product delivered
- IT integration almost complete, five months ahead of plan

Note: STN as calendar year to December. (1) excludes depreciation and exceptional items
Source: Annual Report

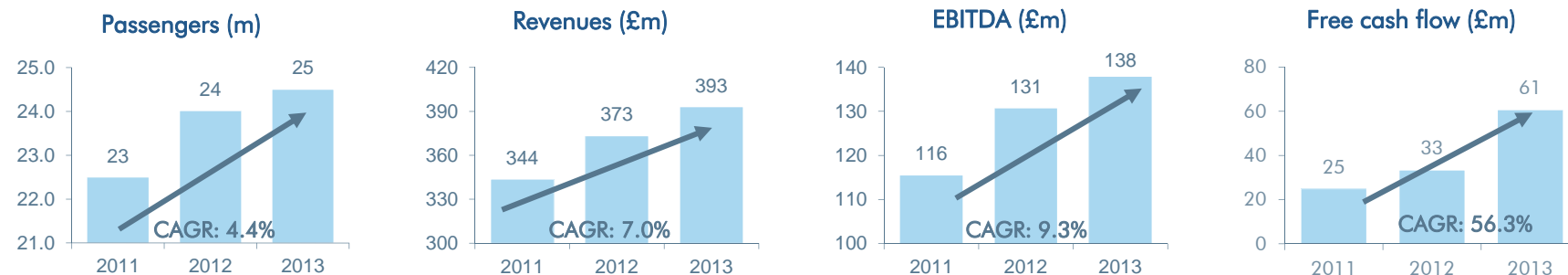
Experienced Management Team

Management team has a proven track record of implementing earnings-enhancing strategies across MAG

| | | | | | |
|-----------------------|-------------------------|--------------------------|-------------------------|----------------|-----------------|
| Charlie Cornish | Andrew Cowan | Ken O'Toole | Neil Thompson | Collette Roche | Andrew Harrison |
| Group Chief Executive | Chief Operating Officer | Chief Commercial Officer | Chief Financial Officer | HR Director | MD, STN |

Delivering on 2011 Strategy

- ✓ Focus on low cost carrier market in addition to full service scheduled carriers
- ✓ Long-term commercial agreements with airlines
- ✓ Incentivised commercial agreements with retail partners
- ✓ Expansion of car parking operations
- ✓ Acquisition of a major UK airport



26 million passengers for six months to September 2013, including STN, representing 4.3% y-o-y improvement

Note: FY to March in each case. Figures shown relate to Legacy MAG only

Well-Invested to Support Growth Strategy

Well invested asset base with flexibility to pursue value enhancing projects at MAG's discretion

Well invested capex

- **Spare capacity:** 50% at STN, 64% at MAN
- **Yield enhancement:** Future capex projects will be focused on opportunities to generate additional value. Most significant capex project is terminal redevelopment at STN, costing £40m and due to complete 2015
- **Flexibility:** MAG has no CAA regulatory capex requirements so has the discretion to review and re-scope projects and manage cash flows in the event of an economic downturn
- **Modest capex requirements:** Key operational assets well invested

Discretionary spend based on need

- Extensive facilities welcome all types of aircraft **including A380**
- Rigorous internal appraisal ensure only investment projects which meet hurdle are pursued
- Balanced investment programme based on need. Growth capex can be cut in a downturn

Completed capital projects



Runway resurfacing
Completed 2011
£21m



Hold baggage screening
Completed 2012
£12m



New air traffic
control tower
Completed 2013
£20m

Notes: (1) Runway capacity, terminal capacity is currently 28m;

Regulation

MAG airports do not have economic licences and regulation is not a constraint on commercial activities

- MAN was deregulated by the Civil Aviation Authority (CAA) in April 2009, neither EMA nor BOH are regulated
- The 2012 Civil Aviation Act requires the CAA to license airport operators who are deemed to have Substantial Market Power (SMP)
 - On 10th January 2014, the CAA published its final decision on economic regulation for STN
 - CAA determined STN does not have SMP in its passenger market
 - Decision grounded in wide range of evidence including long term contracts signed with Ryanair and easyJet, representing 90% of passenger traffic at STN
 - CAA determined no economic regulation, in relation to passengers, will be imposed on STN from 1st April 2014
 - STN will not therefore have an economic licence
- Affected parties have until 11th March 2014 to challenge the CAA decision
- The CAA is still reviewing STN's market power in Cargo with a decision to be published before the end of March
 - Cargo represents 1.3% of MAG's FY13 pro-forma revenue
- The Airports Commission chaired by Sir Howard Davies did not shortlist STN as a potential option for a new runway in London and the South East in the interim report published on 17th December 2013 as STN has significant spare capacity
 - MAG does not envisage this causing any impact as a second runway at Stansted was not factored into the business plan
 - Davies commission focus on best use of existing capacity

TRANSACTION STRUCTURE

Financial Strategy

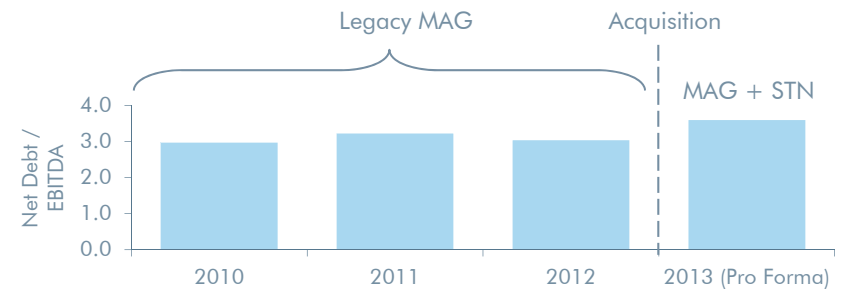
MAG has a conservative capital structure and prudent financial policy

- Transaction represents the first step in establishing a long term financing programme focused on the capital markets
- Key features of financial policy:
 - Commitment to maintain strong investment grade rating
 - The Group maintains a conservative level of leverage commensurate with rating
 - Sufficient resources are available to fund planned growth and capital requirements over the short, medium and long term
- MAG's public sector owners and IFM are long-term shareholders focussed on the stability of the business and therefore strongly support the management's conservative financial policy

Ratio build-up (£m, March YE)

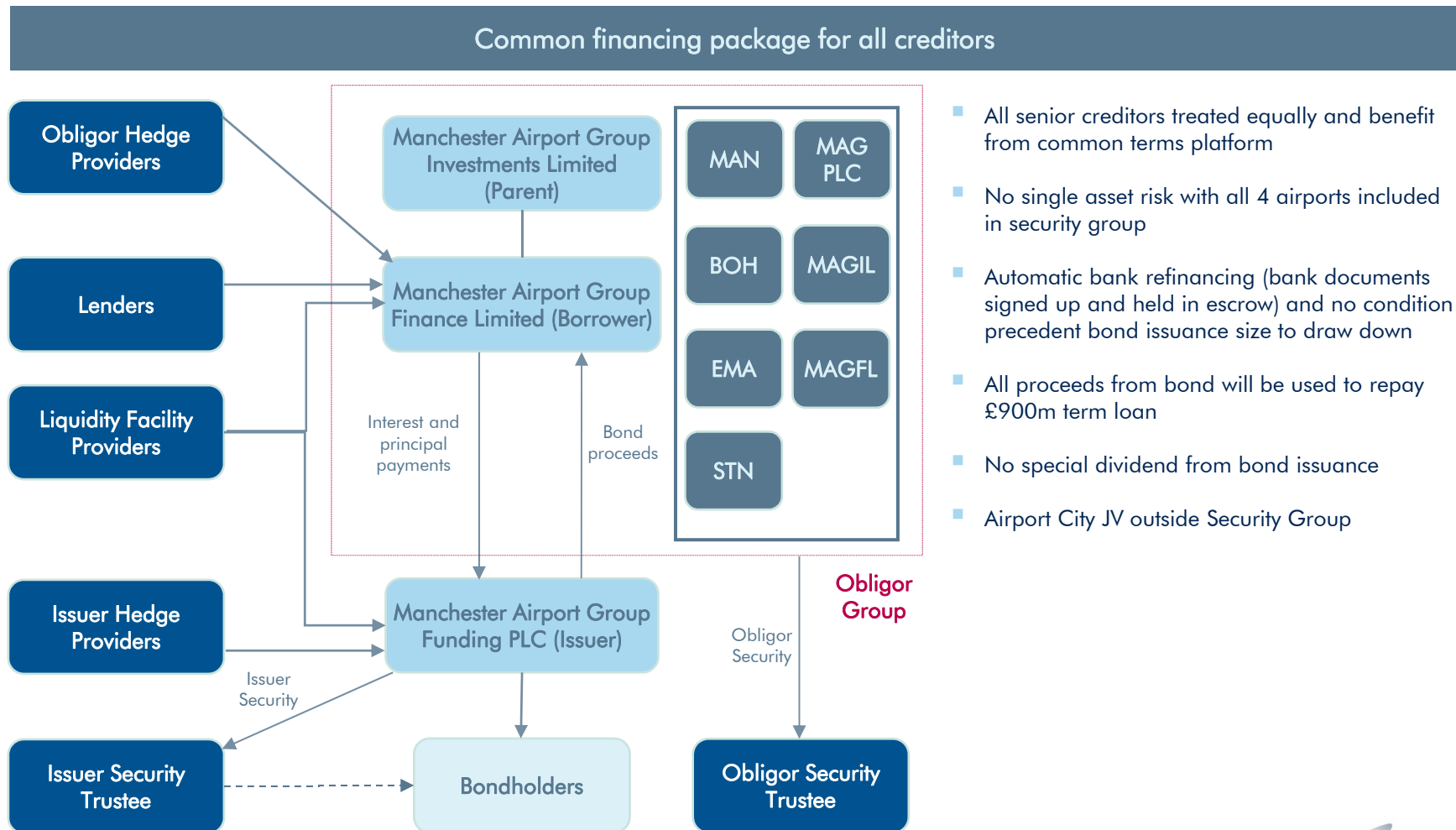
| | 2011 | 2012 | 2013 |
|-----------------------|------------|------------|-----------|
| | Legacy MAG | Legacy MAG | Pro-forma |
| Net Debt ¹ | £373m | £399m | £843m |
| EBITDA | £116m | £131m | £234m |
| Net Debt / EBITDA | 3.2x | 3.0x | 3.6x |

Historically low leverage



Source: MAG Annual reports (Legacy MAG figures), Prospectus (2013 Pro forma figures); Notes: (1) In 2011 and 2012 Net Debt included shareholder loans given the unsecured financing structure

Transaction Structure



Transaction Structure – Overview of Terms

Conservative financing package with comprehensive creditor protections

- Multi-asset corporate secured platform with all creditors sharing common terms
 - MAN and STN must remain in security group¹
 - Permitted business allows future development of group
 - £30m corporate guarantee of Airport City project
- Security and covenant package
 - Full fixed and floating security commensurate with peers
 - Ability to appoint an Administrative Receiver
 - Financial and operating covenants
 - All dividends subject to satisfaction of the Distribution Condition
- Liquidity provided to the group through
 - £60m Super Senior Liquidity Facility sized to cover 12 months of interest on senior debt
 - £300m facility for capex and general corporate purposes
- Incremental financial indebtedness above £75m (indexed) requires satisfaction of lock-up conditions and bonds affirmed as investment grade

Lock-up Conditions

| | |
|-----------|-------------------------------|
| Liquidity | Drawing on Liquidity Facility |
|-----------|-------------------------------|

| | |
|----------------|--------|
| Interest Cover | <2.00x |
|----------------|--------|

| | |
|----------|--------|
| Leverage | >6.00x |
|----------|--------|

| | |
|------------------|-----------------------------------|
| Rating Downgrade | No investment grade credit rating |
|------------------|-----------------------------------|

Events of Default

| | |
|----------------|--------|
| Interest Cover | <1.40x |
|----------------|--------|

| | |
|----------|--------|
| Leverage | >7.50x |
|----------|--------|

Hedging

| | |
|-------------------|---|
| Min / Max Hedging | 60% - 105% of the total outstanding amount under the Term Facility must bear fixed or index-linked rate |
|-------------------|---|

Super Senior Inflation Hedging

MAG has no intention to enter into any super senior inflation hedging
However, document architecture contemplates this and caps any inflation-linked hedging at 10% accretion of total debt

Note: (1) subject to Extraordinary Resolution

Rating Agency Feedback

Strong investment grade ratings from Moody's and Fitch

MOODY'S
Baa1 (Stable)

- Catchment areas of MAG's key airports are strong in terms of size, complementary fit and relative affluence of the population
- Traffic profile and performance across MAG, particularly at MAN, has been resilient in recent years but remains below previous peaks
- MAG has the ability to pursue a growth strategy to further regain lost market share but this will likely increase airline concentration
- MAG's physical infrastructure is well-invested and so the risk profile of its capital expenditure program is modest
- MAG's financial risk profile is fairly strong reflecting a fairly conservative financial policy and the long-term objectives of its owners
- Proposed financing structure provides for minimal structural uplift but does provide for the formal subordination of shareholder loans

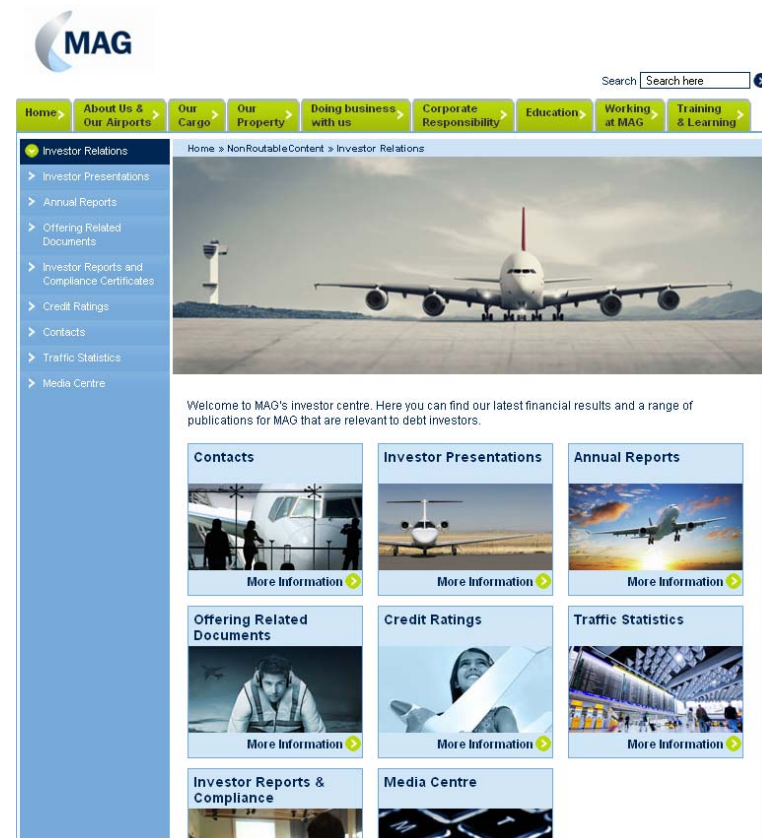
FitchRatings
BBB+ (Stable)

- STN's performance is supported by long term "take-or-pay" contracts with Ryanair and easyJet (airline revenue agreements) that de-risk growth and support future revenues
- MAG will [as a result of deregulation] have full pricing flexibility at its two main airports, enabling it to optimise profitability and encourage additional throughput
- All MAG airports have received substantial capital investment in recent years... and all the airports have excess capacity, minimising required future capex
- The financial structure largely consists of a secured and covenanted platform (offering a comprehensive set of covenants, policies and security) used in other infrastructure transactions
- Viewed purely on metrics, the transaction could achieve a 'A-' rating. However, MAG's operating profile is weaker than that of most rated European airport operating peers

Information Commitments

Strong commitment to investor reporting via www.magworld.co.uk/investors

- Six-monthly comprehensive investor report, covering:
 - Regulatory and business update
 - Financing position
 - Group structure update
 - Hedging position
 - ICR and Leverage ratios
 - Distribution amount
- Annual investor update meeting and semi-annual call
- Annual and Semi-Annual financial statements
- Transaction material uploaded to website
- Investor Relations team headed by Corporate Finance Director Iain Ashworth
 - Iain.Ashworth@magairports.com
 - +44 (0) 161 489 5820



Indicative Terms

| Public Bond Issuance | | | |
|-----------------------|--|-----------------------|--|
| Issuer | Manchester Airport Group Funding plc | Minimum Denominations | £100,000 / £1,000 |
| Borrower | Manchester Airport Group Finance Limited | Security | Full fixed and floating security over assets in the security group Hard-wired appointment of admin receiver |
| Series | Guaranteed Secured EMTN Programme | Issuance Size | Minimum benchmark |
| Currency | GBP | Listing | London Stock Exchange |
| Maturity Profile | Bullet | Coupon Type | Fixed rate |
| Tenor | [•] years | Use of Proceeds | To refinance the Existing Indebtedness on the Initial Issue Date |
| Expected Issue Rating | Baa1 / BBB+ (Moody's / Fitch) | Incremental Debt | None expected – Existing bank facility requires proceeds to pay down term debt |

APPENDIX

Airport City JV Partnership

New opportunity to complement the offering at MAN



- JV Partnership announced on 13 October 2013 comprising MAG, BCEG, Carillion & GMPF, with Argent as Development Manager
- 160 acre / 15 year development opportunity adjacent to Manchester Airport
- 5m sq. ft. of offices, hotels, logistics, advanced manufacturing and retail
- Expected development value of £800m with development costs of £650m
- First phase total infrastructure £27m – releases 1.8m sq. ft. of development
- Phased development with opportunity to respond to market uptake
- Government's leading Enterprise Zone with associated financial / planning benefits

Delivery model & investment highlights

- Delivery with development partner(s)
- Early release of plots linked to infrastructure development and market need
- Pre-let transaction minimising risk based on market need
- Self-funding after initial investment period with cash recycled on a develop-and-trade basis to fund subsequent phases
- Low equity requirement c£30m depending on timing
- Outside security ring-fence with protections capping use of security groups funds

Disclaimer

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